

STATE OF MICHIGAN
DESCRIPTIONS OF CAPITAL PROJECTS FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2000

COMBINED RECREATION BOND FUND - STATE PROJECTS

This fund was established in 1988 and operates under Parts 196 and 715 of P.A. 451 of 1994, as amended. The balances remaining in this fund reflect proceeds and investment earnings remaining from two bond packages: \$70 million of general obligation bonds approved by voters in November 1988 as part of a \$140 million bond package for financing State and local public recreation projects, and \$50 million of general obligation bonds approved by voters in November 1998 as part of a \$675 million bond package known as the "Clean Michigan Initiative." The proceeds from the bond package approved in 1988 are being used to construct, expand, and develop recreational facilities at State parks. The proceeds from the bond package approved in 1998 are being used for infrastructure improvements at State parks with the installation or upgrade of drinking water systems or rest room facilities as a first priority.

ADVANCE FINANCING FUNDS

The Advance Financing Funds column reflects the activities of two sub-funds: the State Building Authority Advance Financing Fund and the Site Preparation Economic Development Fund.

The State Building Authority Advance Financing Fund was administratively established to account for expenditures incurred for equipment, higher education, and State projects prior to the issuance of State Building Authority bonds. Appropriation acts and concurrent resolutions provide temporary financing of such expenditures for legislatively authorized projects. Expenditures on behalf of the State Building Authority are recorded when incurred. At year-end, any deficit in the common cash pool is reclassified as a payable to the General Fund. In addition to advance expenditures, expenditures financed by the General Fund or other sources related to State Building Authority projects are recorded in this fund.

The State Building Authority, in its separately issued statements, does not recognize liabilities for these projects until bonds or commercial paper are issued; therefore, no receivable from the Authority is recognized in this fund prior to bond or commercial paper issuance. This results in the fund showing a year-end fund balance deficit. The Authority will reimburse this fund by recording an operating transfer and the deficit attributable to the bonded projects will be eliminated when the Authority issues its bonds or obtains commercial paper.

The Site Preparation Economic Development Fund was created by P.A. 265 of 1999 to account for expenditures incurred to prepare and sell state owned sites declared as surplus that would provide economic benefit to the area or State. Expenditures are recorded when incurred. Proceeds of the sale of fund properties will be deposited into the fund.

STATE BUILDING AUTHORITY

The State Building Authority was created pursuant to P.A. 183 of 1964, as amended, to issue bonds to finance the acquisition or renovation of buildings for use by the State or public institutions of higher education. Public Act 248 of 1988 also permits Authority bonding of State equipment. The five members of the Authority are appointees of the Governor.

This capital projects fund, which accounts for the construction of State projects, certain equipment financing, and higher education related projects, reports bond proceeds as an "Other financing source," investment revenue during construction as "miscellaneous revenue," and construction expenditures as "capital outlay," "grant expenditures," or "operating transfers out." Short-term borrowings to provide temporary financing are recorded as fund liabilities if they have not been refinanced with long-term debt prior to financial statement preparation. Operating transfers out reflect transfers to the debt service fund of proceeds dedicated for debt service during construction, reimbursements of expenditures to the State Building Authority Advance Financing Fund, transfers to component unit State universities for amounts expended in their plant funds, and the transfer of net assets remaining after the completion of a project to the debt service fund. In the State's General Fixed Assets Account Group, accumulated expenditures for incomplete State projects are reflected as "Construction in progress" and completed State projects are recorded as "Buildings."